

# School District Administration and Oversight

Second Follow-up Report  
December 2007

Office of Performance Evaluations  
Idaho Legislature



Report 07-11F

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### **Acknowledgments**

We appreciate the cooperation and assistance we received from the Department of Education. Amy Lorenzo of the Office of Performance Evaluations conducted this follow-up review and Jeff Shinn performed the quality review.

# School District Administration and Oversight

## *Second Follow-up Report*

*In January 2004, we issued our report on school district administration and oversight in response to concerns about the rising costs of public education and the lack of information about how districts use state funds. Our report included ten recommendations directed to the Department of Education, State Board of Education, and the Legislature to improve both the management of information at the department and school district purchasing practices. In 2006, we found that both the Legislature and the board had addressed recommendations directed to them, but the department had made little progress implementing the remaining recommendations. In this second follow-up review, we find that the department has taken some steps to address these recommendations and that one recommendation remains open for legislative consideration.*

### **Background and Current Status**

School districts receive the largest share of the State General Fund. In fiscal year 2008, the state appropriated over \$1.3 billion to public schools, nearly half of all general fund appropriations.

Our 2006 follow-up review found that both the Legislature and the State Board of Education had addressed the recommendations directed to them, while the department cited a lack of staff for its inability to implement the recommendations. To assist with additional program responsibilities, the department was approved for an additional position in the Public School Finance division, beginning July 1, 2006. The position was filled in January 2007.

As described in the following sections, the department has made some progress in implementing the remaining recommendations. The department's assessment of its progress is provided in appendix A.

## Financial Information Reported by School Districts

Recommendation 2.1: *To improve the uniformity and accuracy of fiscal data collected and reported by school districts, the State Department of Education should*

Recommendation numbers refer to numbers in our 2004 report.

- *modify the Idaho Financial Accounting Reporting Management System (IFARMS) chart of accounts to eliminate unneeded detail and clarify the definitions for selected programs and object codes;*
- *expand training offered to district staff responsible for coding and reporting district expenditures; and*
- *review the data submitted by districts to identify instances of non-reporting and possible coding problems.*

In response to our recommendation, the department has expanded training related to reporting requirements from half-day to full-day sessions. According to the department, it conducts a review of the data submitted by districts and then compares the information to the audit reports submitted by each district. The department has added codes to the IFARMS manual to reflect changes in Idaho Code and plans to review the manual for additional changes. However, it has not yet determined if changes and/or deletions are necessary for existing codes.

**Status:** Because the department has made some efforts to improve the collection and reporting of data, but has not updated all necessary IFARMS codes, this recommendation is **partially implemented**.

## District Financial Audits

Recommendation 2.2: *To enhance the value of annual school district financial audits as a tool for state oversight, the State Department of Education should*

- *direct districts to (1) include in their annual financial audits a review of district revenue and expenditure coding and the accuracy of district enrollment, staffing, and pupil transportation data; and (2) report the results of this review to the department;*
- *provide guidance and training to audit firms that conduct district financial audits regarding the standards to be used when assessing district coding of revenues and expenditures and the accuracy of district enrollment, staffing, and pupil transportation data; and*
- *establish a process for annual review of a small sample of district financial audits to assess the adequacy of work performed by audit firms to test the accuracy of data districts report to the department. The department should consult with Legislative Audits when developing the review process.*

In our 2004 report, we reviewed information for several districts and found coding errors in financial data and problems with calculations related to pupil transportation. Further, the problems we identified were not addressed in the districts' audit reports. Our recommendation aimed at ensuring that the information reported in the audits was comprehensive, accurate, and useful.

While the department directs *audit firms* to review the areas identified in our recommendation in their audit, the department has not directed *districts* to include these items in their report to the department. Directing districts to include the recommended information will help ensure that the items are included in the audit reports to the department.

In addition, the department has not directly provided training or guidance to the audit firms conducting the audits, nor has the department conducted a review of audits to assess the adequacy of audit work or the accuracy of data. Department staff cite a lack of qualified staff and suggest that the Legislative Services Office (Audits Division) would be more appropriate to conduct the reviews.

**Status:** This recommendation has **not been implemented**.

## Presentation of District Financial Information

Recommendation 2.3: *To improve the usefulness of annual school district financial information, the State Department of Education should*

- *provide more comparative information about district revenues and expenditures overall and in the major functional areas such as instruction, administration, and pupil transportation;*
- *provide information about how district revenues and expenditures compare to the nation and neighboring states;*
- *provide information about revenue and expenditure patterns over time;*
- *publish a narrative summary to help readers better understand key information and trends; and*
- *make revenue and expenditure information available on the department's website in ways that enable users to make comparisons between districts.*

The department annually publishes *Financial Summaries: Idaho School Districts and Charter Schools* to provide revenue and expenditure information for Idaho's districts. In our 2004 report, we identified several areas for improvement of this document. In this follow-up review, we find that the department has begun to look into some of the areas in need of improvement, but has not made improvements to the document.

The department is currently working on providing more comparative information, primarily by looking into how other states present information and by exploring alternative formats. However, the department has not indicated in its response (see appendix A) that it will provide additional narrative information about revenue and expenditure trends as recommended.

The department currently provides two-to-three year data for individual districts and statewide totals. The information provided on the department's website is in consistent formats from year to year and between districts, aiding in comparisons.

**Status:** Although the department has not provided complete information about patterns over time, the department has made efforts to enable others to make those comparisons. This recommendation is **partially implemented**.

## Presentation of District Staffing Information

Recommendation 3.1: *To ensure that adequate administrative staffing information for school districts is available for review by policymakers and the public, the State Department of Education should*

- *improve reporting about administrative staffing in districts by identifying the number and type of administrative staff in each district, the ratio of students to administrative staff, and changes in administrative staffing over time;*
- *require districts to provide information regarding the duties of staff in director, coordinator, and supervisor positions; and*
- *make staffing information available on the department's website in easily accessible formats.*

Each year, the department publishes the *Annual Statistical Report and Profiles: Idaho School Districts*, the primary publications for information on district personnel. In our 2004 evaluation, we found that these reports were lacking some important administrative information.

In this review, we conclude that the department has not completely implemented this recommendation. Although the profiles publication does contain some administrative information, the department should provide more information about administrative staff, as well as information regarding staff in director, coordinator, and supervisor positions. The department is currently working to provide more staffing information on its website.

**Status:** This recommendation is **in process**.

## District Purchasing

Recommendation 4.2: *To ensure school districts have adequate purchasing procedures in place and that purchases are being appropriately reviewed and authorized, the State Department of Education should direct school districts to include a purchasing compliance review in their annual financial audits.*

While the department has taken steps to request that *auditors* include a purchasing compliance review in their audits, the department has not directed *districts* to include this information in their annual financial audits.

**Status:** This recommendation has been **partially implemented**.

Recommendation 4.3: *To ensure school districts can take advantage of statewide purchasing contracts available from the State Division of Purchasing*

- *the State Department of Education should advise districts of the availability of statewide purchasing contracts during any annual training or communications; and*
- *the State Department of Education should provide district contact information to the State Division of Purchasing so that districts will be included on the division's listserv. This listserv periodically provides information about statewide contracts to public agencies that may be able to use them.*

According to department officials, they are currently working with the Division of Purchasing to provide contracting information to districts, as well as presenting purchasing information to districts at the department's next finance workshop. The department has also contacted the Division of Purchasing to allow districts to receive updates regarding statewide contracts through the division's listserv. Additionally, the department states it has been added to the listserv and is forwarding relevant e-mails directly to school business officials.

**Status:** This recommendation has been **implemented**.

Recommendation 4.4: *To potentially achieve cost savings and to foster communication among individual school districts regarding purchasing, the State Department of Education should*

- *work with districts and any pertinent associations to determine the opportunities for any favorable purchasing cooperatives;*
- *explore opportunities to use the Internet for district purchasing activities; and*
- *encourage district staff to attend the State Division of Purchasing's training annually to learn about best practices.*

The department has included information in its weekly newsletter to districts about training available at the Division of Purchasing and has added information to its website about various purchasing options. Department staff also plan to request a division trainer to address issues related to purchasing cooperatives.

**Status:** This recommendation has been **implemented**.

*Recommendation 4.5: To ensure school district interests are protected when procuring services, the State Department of Education should work with the State Division of Purchasing to provide guidance to school districts on the requirements and the necessary components of written contracts.*

The department has added several links to its website, including a link to the Division of Purchasing training calendar. The department has also added training opportunities to the weekly newsletters it sends to districts, including information related to contracts. The department states that it has contacted the Idaho Association of School Business Officials to suggest the association add a session about contracting to the association's annual conference.

**Status:** Although the department has not worked directly with the Division of Purchasing, the department has provided districts with some information related to contracts. This recommendation has been **implemented**.

*Recommendation 5.1: To address the rising costs of health insurance, the Legislature could consider authorizing further study of the potential cost savings of a statewide health insurance plan for school districts.*

Created by the Health Care Task Force in September 2007, the Subcommittee on School District Health Insurance is tasked with examining ways to make insurance more affordable for districts.

**Status:** This recommendation remains **open for legislative action**.



## ***Appendix A***

# **Update of Implementation Efforts**





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TOM LUÑA  
STATE SUPERINTENDENT  
PUBLIC INSTRUCTION

August 9, 2007

RECEIVED  
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PERFORMANCE EVALUATIONS

Rakesh Mohan, Director  
Office of Performance Evaluations  
Idaho State Legislature  
Statehouse

Dear Mr. Mohan,

Per your request, I am submitting to you a written update on the status of the recommendations from OPE's report, *School District Administration and Oversight*.

Following are the Department's responses to the recommendations given in the executive section of the report. The recommendation from your office is followed by the update.

1. To improve the uniformity and accuracy of fiscal data collected and reported by school districts, the State Department of Education should:
  - Modify the Idaho Financial Accounting Reporting Management System (IFARMS) chart of accounts to eliminate unneeded detail and clarify the definitions for selected programs and object codes.

Update: The State Department of Education contracted with Larry Kirk, former director of Legislative Services, to update the IFARMS manual in 2003. Since that rewrite, the listing of available revenue and function/program codes has been revised as has their definitions.

- Expand training offered to school district staff responsible for coding and reporting school district expenditures.

Update: Public school finance staff conducts a school finance workshop for new superintendents / charter school administrators and business managers each year in cooperation with the Idaho Association of School Business Officials. Beginning in 2005, this workshop expanded from a half-day workshop to a full-day workshop. During this workshop, changes to the coding structure are discussed. This workshop is well attended by the public schools. Also, the SDE does regional post-legislative workshops each spring. During these workshops, upcoming changes relating to school finance are discussed, including IFARMS coding updates, new funds, etc. When not presenting, School Finance staff are available for individual questions. Similarly, the pupil transportation section at the SDE offers regional workshops each year where the coding of transportation related expenditures is discussed. The IFARMS manual is available online and at every opportunity, school personnel are encouraged to call or email with their questions.

- Review the data submitted by districts to identify instances of non-reporting and possible coding problems.





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Update: Public schools are required to submit both an Annual Financial Report completed by the school business manager and an Audit Report completed by an independent certified public accountant. As those reports are submitted, the Annual Financial Report is reconciled to the Audit Report. Each fund is reviewed, and within each fund, revenues and expenditures are reconciled between the two reports, as are the transfers in and out and the fund balances. Also, during the review process, the coding (funds, revenues, expenditures) is reviewed for reasonableness and accuracy. Any differences are resolved by working with the business manager and the certified public accountant.

2. To enhance the value of annual school district financial audits as a tool for state oversight, the State Department of Education should:

- Direct school districts to (1) include in their annual financial audits a review of district revenue and expenditure coding, and the accuracy of district enrollment, staffing, and pupil transportation data; and (2) report the results of this review to the department.

Update: A letter is sent each year to the auditors of public schools (copy enclosed). The letter addresses such topics as the State Foundation Program (including Attendance, IBEDS, IFARMS, Fixed Assets, and State Grants), Pupil Transportation, School Lunch, Federal Grant Monies, General Federal Guidelines, and Budgeting.

- Attendance. Auditors are asked to "review how districts submit attendance data, test the attendance data, and confirm schools are reporting in compliance with SDE guidelines and State board Rules and Regulations."
- IBEDS. Auditors are told that "Testing should include the district's placement of certified staff on the education and experience multiplier table and that teaching assignments have been reported correctly."
- Transportation. Auditors are asked to "review the district's internal control procedures to confirm that reimbursable costs as well as miles have been reported properly on the Pupil Transportation Reimbursement Claim. SDE also recommends that auditors review bus purchasing procedures, the proper handling of any depreciation allowance and fuel excise tax refunds, and confirm schools are reporting in compliance with SDE guidelines and State Board Rules and Regulations."

Exceptions, if material, would be noted by the auditor in the Findings and Recommendations section of the audit report. All audit reports are reviewed for Findings and Recommendations. Any Findings and Recommendations are then given to the appropriate State Department of Education staff for follow-up.

Beginning with the FY2007 letter, the above information has been separated into its own section. Contact information for further questions has also been added.

- Provide guidance and training to audit firms that conduct district financial audits regarding the standards to be used when assessing district coding of revenues and expenditures, and the accuracy of district enrollment, staffing, and pupil transportation data.





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Update: There are several training opportunities currently being offered each year for auditors.

- Each spring, School Finance travels to the different regions of the state to present post-legislative information relating to Idaho's public schools. Various School Finance staff, when not presenting, are available for one-on-one meetings.
- The Idaho Association of School Business Officials (IASBO), in cooperation with Public School Finance, presents a New School Finance workshop in February/March. This full-day workshop is often referred to as School Finance 101.
- IASBO also holds an annual conference in late June. This two-day workshops features concurrent sessions pertaining to issues facing Idaho's public schools.
- The SDE website at [www.sde.idaho.gov](http://www.sde.idaho.gov) has a wealth of information. Specifically, the School Finance website at [www.sde.idaho.gov/financeandtechnology](http://www.sde.idaho.gov/financeandtechnology) has manuals, forms, recent communications sent to public schools, and statistical information.

The School Finance staff encourages telephone calls and emails regarding any questions auditors may have.

- Establish a process for annual review a small sample of school district financial audits to assess the adequacy of work performed by audit firms to test the accuracy of data districts report to the department. The department should consult with the Legislative Auditor when developing the review process.

Update: Idaho Code 33-701(6) requires schools to have a full and complete audit of the financial statements of the district as required in section 67-450B, Idaho Code. Idaho Code 67-450B requires audits be performed by independent auditors in accordance with generally accepted governmental auditing standards, as defined by the United States general accounting office. To be licensed by the State of Idaho's Board of Accountancy, a licensed CPA who performs auditing services must undergo a peer review at least once every three years.

SDE staff has met with Don Berg, Legislative Services – Audits to discuss this recommendation. It is my opinion that Legislative Services – Audits would be the appropriate agency to conduct the recommended review, since SDE public school finance staff does not have the necessary qualifications. It is my understanding that Legislative Services – Audits will not be able to direct staff towards this review in the immediate future, due to state and federal audits currently being conducted.

3. To improve the usefulness of annual school district financial information, the State Department of Education should:
  - Provide more comparative information about school district revenue and expenditures overall and in the major functional areas such as instruction, administration, and pupil transportation.

Update: The State Department of Education is currently examining the financial reports and websites of those states identified in the Office of Performance Evaluations Report 04-03.



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- Provide information about how school district revenues and expenditures compare to the nation and neighboring states.

Update: The State Department of Education is currently working on a report that will compare Idaho's revenues and expenditures to the states surrounding Idaho as well as the nation as a whole.

- Provide information about revenue and expenditure patterns over time.

Update: Financial Summaries data for the last seven years is available on the SDE website. Also, each Financial Summaries report includes a Statistics page showing data for the last three years.

- Publish a narrative summary to help readers better understand key information and trends.

Update: The State Department of Education is currently exploring the financial reports of its surrounding states as well as reports published on the US Department of Education website.

- Make revenue and expenditure information available on the department's website in ways that enable users to make comparisons between districts.

Update: School Finance is currently working with the SDE Publications Director to format the financial summaries in a user-friendly Excel format. Models from states listed in the Office of Performance Evaluations Report 04-03 will also be reviewed.

4. To ensure that adequate administrative staffing information is available for review by policy makers and the public, the State Department of Education should:

- Improve reporting about administrative staffing in school districts by identifying the number and type of administrative staff in each district, the ratio of students to administrative staff, and changes in administrative staffing over time.

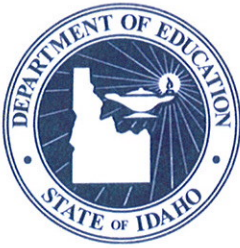
Update: SDE's Annual Statistical Report provides considerable information regarding administrative staff. The ratio of average daily attendance to administrative staff is included for each school district in the SDE Profiles publication. As stated earlier, the consistent format of this publication allows for fairly easy comparison of data over time. SDE staff provides additional detail (IBEDS reports) to interested parties as requested.

- Require districts to provide information regarding the duties of staff in director, coordinator, and supervisor positions.

Update: The duties of these positions vary amongst school districts and charter schools. The SDE is currently analyzing and rewriting the IBEDS application and will discuss this recommendation with SDE administration.

- Make staffing information available on the department's website in easily accessible formats.





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Update: The SDE Finance staff is currently working with SDE Information Technology staff to implement this recommendation. In the mean time, all data in our publications are available in spreadsheet or database form as requested.

6. To ensure that districts have adequate purchasing procedures in place and that purchases are being appropriately reviewed and authorized, the State Department of Education should direct districts to include a purchasing compliance review in their annual financial audits.

Update: The annual letter to school auditors has been revised to include a request that auditors include a purchasing compliance review to ensure schools have adequate purchasing procedures in place and that purchases are being appropriately reviewed and authorized.

7. To ensure districts can take advantage of statewide purchasing contracts available from the State Division of Purchasing:
  - The State Department of Education should advise districts of this resource during any annual training or communications.

Update: The State Department of Education is currently working with the Division of Purchasing training coordinator to provide contracting information to schools. The Division of Purchasing trainer is willing to present purchasing information to the schools at the next School Finance Workshop.

- The State Department of Education should provide school district contact information to the State Division of Purchasing so that districts will be included on the division's listserv. This listserv periodically provides information about statewide contracts to public agencies that may be able to use them.

Update: The Division of Purchasing has been contacted about adding school contact information to their listserv, allowing schools to receive updates regarding statewide contracts. As district contact information changes frequently, School Finance has been added to the listserv and, as updates are received, the emails will be forwarded to the school business officials.

8. To potentially achieve cost savings and to foster communications among individual districts regarding purchasing, the State Department of Education should:
  - Work with districts and any pertinent associations to determine the opportunities for any favorable purchasing cooperatives.

Update: Many schools are already using state contracts. Training will be offered at the annual IASBO conference on the availability of state contracts. At this time, we will request that the Division of Purchasing trainer address the forming of purchasing cooperatives.



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- Explore opportunities to use the Internet for school district purchasing activities. For example, a statewide school district purchasing website could allow electronic posting of bid solicitations, sharing of district purchasing information, and links to State Division of Purchasing statewide contract information.

Update: Currently, the Division of Purchasing posts state contracts to their website. A link to the Division of Purchasing statewide contracts website has been added to the State Department of Education website. Training will be offered at the annual School Finance spring workshop and the annual IASBO annual conference. We will also post on the SDE weekly electronic newsletter.

- Encourage district staff to attend the State Division of Purchasing training annually to learn about best practices.

Update: Several Division of Purchasing website links have been added to the State Department of Education website, including a link to the Division of Purchasing Training Calendar. In addition, as training opportunities become available, they will be added to the weekly State Department of Education newsletter emailed to schools.

9. To ensure district interests are protected when procuring services, the State Department of Education should work with the State Division of Purchasing to provide guidance to districts on the requirements and the necessary components of a written contract.

Update: Several Division of Purchasing website links have been added to the State Department of Education website, including a link to the Division of Purchasing Training Calendar. In addition, as training opportunities become available, they will be added to the weekly State Department of Education newsletter emailed to schools. Also, we have contacted the Idaho Association of School Business Officials and suggested that at least one session pertaining to the requirements and necessary components of written contracts be added to their annual conference in June.

Thank you for all of your and your staff's work in preparing this report and for the opportunity to provide an update on the implementation of the recommendations.

Respectfully,

Timothy D. Hill  
Deputy Superintendent, Finance & Information Technology

Enclosure

cc: Tom Luna, Superintendent of Public Instruction



## Office of Performance Evaluations Reports Completed 2006–Present

Publication numbers ending with “F” are follow-up reports of previous evaluations. Publication numbers ending with three letters are federal mandate reviews—the letters indicate the legislative committee that requested the report.

<u>Pub. #</u>	<u>Report Title</u>	<u>Date Released</u>
06-01	Management in the Department of Health and Welfare	February 2006
06-02	Idaho Student Information Management System (ISIMS)—Lessons for Future Technology Projects	August 2006
06-01F	Public Works Contractor Licensing Function	August 2006
06-02F	Idaho Child Care Program	August 2006
06-03F	Timeliness and Funding of Air Quality Permitting Programs	August 2006
06-04F	Fiscal Accountability of Pupil Transportation	August 2006
06-05F	School District Administration and Oversight	August 2006
06-06F	Public Education Technology Initiatives	August 2006
06-07F	Higher Education Residency Requirements	August 2006
06-08F	Child Welfare Caseload Management	August 2006
07-01	Use of Average Daily Attendance in Public Education Funding	February 2007
07-02	Virtual School Operations	March 2007
07-03F	Higher Education Residency Requirements	July 2007
07-04F	State Substance Abuse Treatment Efforts	July 2007
07-05F	Idaho School for the Deaf and the Blind	July 2007
07-06F	Public Education Technology Initiatives	July 2007
07-07	Health Insurance Coverage in Idaho: A Profile of the Uninsured and Those with Coverage	July 2007
07-08	Options for Expanding Access to Health Care for the Uninsured	July 2007
07-09F	Child Welfare Caseload Management	December 2007
07-10F	Management in the Department of Health and Welfare	December 2007
07-11F	School District Administration and Oversight	December 2007
07-12	Cataloging Public Health Expenditures in Idaho	December 2007
07-13	Estimating Private Health Expenditures in Idaho	December 2007
07-14	Health Trends in and Drivers of Expenditures in Idaho	December 2007

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